

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF COLUMBIA GAS
OF KENTUCKY, INC.

) CASE NO.
) 10498

O R D E R

On October 26, 1989, Columbia Gas of Kentucky, Inc. ("Columbia") and the Attorney General of Kentucky by joint petition with the Lexington-Fayette Urban County Government ("AG/LFUCG") petitioned for rehearing in the above-styled case. Both petitions for rehearing were filed within the statutory time prescribed by KRS 278.400.

Columbia requests rehearing on five issues, specifically: federal income tax related to unbilled revenues; arrearages of Johnson County Gas Company, Inc. and Martin Gas; income tax expense on "turn-a-round" depreciation; depreciation expense associated with construction work-in-progress; and depreciation expense associated with post test-period plant additions. The AG/LFUCG requests rehearing specifically because in its view, Columbia's rate base is inflated to the extent that rate base exceeds its capitalization and the Commission improperly used the formula method to calculate working capital requirements for Columbia. The AG/LFUCG specifically requests the Commission calculate working capital by using the balance sheet approach.

After consideration of both petitions and the AG/LFUCG's response¹ to Columbia's request for rehearing and being otherwise sufficiently advised, the Commission finds that Columbia's request for rehearing with respect to the Johnson County and Martin Gas arrearages should be denied; however, rehearing should be granted on all other issues raised in the petition. The Commission further finds that the joint petition of the AG/LFUCG requesting rehearing should also be granted.

IT IS THEREFORE ORDERED that rehearing shall be granted on the issues raised by the parties with the exception of the outstanding arrearages of Johnson County and Martin Gas, upon which rehearing is specifically denied.

Done at Frankfort, Kentucky, this 8th day of November, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:

Executive Director

¹ Filed November 2, 1989.